

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
December 31, 2014**

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

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**OFFICIALS
OSAGE MUNICIPAL UTILITIES**

December 31, 2014

<u>Title</u>	<u>Name of Official</u>	<u>Term Expires</u>
Chairman	Royce Tack	December 2015
Trustee	Harlan Bremer	December 2015
Trustee	Tom Kenny	December 2016
Trustee	Nan Jakobson	December 2018
Trustee	Jen Frein	December 2020
General Manager	Rob Stangel	Indefinite
Cashier	Jane Michels	Indefinite
Treasurer	Beverly Schuler	December 2015



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Osage Municipal Utilities
Osage, Iowa

We have audited the accompanying financial statements of each major fund of Osage Municipal Utilities, a component unit of the City of Osage, Iowa as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Osage Municipal Utilities, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information, and a schedule of funding progress for the retiree health plan* on pages 4 through 8 and 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage Municipal Utilities' basic financial statements. The comparative schedules of net position, revenues, expenses, and changes in fund net position, and cash flows and the schedule of operating revenues and the schedule of operating expenses (supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2015 on our consideration of Osage Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Osage Municipal Utilities' internal control over financial reporting.

T.P. Anderson & Company, P.C.

August 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Osage Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2014. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- ◆ The Utilities' operating revenues increased 12% or approximately \$1.1 million from 2013 to 2014.
- ◆ Operating expenses increased 16%, or approximately \$1.4 million, from 2013 to 2014.
- ◆ The Utilities' net position increased 4% or approximately \$688,000 during 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

Fund financial statements report the Utilities' operations by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget and a funding schedule for the Retiree Health Plan.

The Supplementary Information in schedules 1 through 5 provides comparative data along with additional detail with respect to the Utilities' revenues and expenses.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

Fund Financial Statements

Osage Municipal Utilities utilizes one kind of fund:

Proprietary funds account for the Utilities' enterprise activities. Enterprise funds are used to report business type activities. Osage Municipal Utilities maintains three Enterprise Funds to provide separate information for the light and power, gas, and communications funds.

The condensed statement of net position, shown below, shows how assets and liabilities have changed over the past two years. In 2014, capital assets decreased by approximately 3% and represent 59% of total assets. Total assets

increased by approximately \$133,000 and liabilities decreased by \$555,000, resulting in the increase in net position of \$688,000 during the year.

Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended December 31,	
	2014	2013
Current and other assets	\$ 10,277	\$ 9,676
Capital assets (net of accumulated depreciation)	14,707	15,175
Total assets	24,984	24,851
Long-term debt outstanding	3,962	4,636
Other liabilities	2,084	1,965
Total liabilities	6,046	6,601
Net position		
Net investment in capital assets	10,078	9,718
Restricted – bond covenant	946	939
Unrestricted	7,914	7,593
Total net position	\$ 18,938	\$ 18,250

INDIVIDUAL MAJOR FUND ANALYSIS

As Osage Municipal Utilities completed the year, its enterprise funds reported a combined fund balance of \$18.9 million, an increase of approximately \$688,000 over last year's total of \$18.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

Electric Utility Results of Operations

Light and Power operating revenues increased during 2014 by approximately \$124,000 or 2.3% from the prior year.

Total operating expenses for 2014 increased approximately \$376,000, or 8.0% from 2013. The increase is primarily made up of an approximate \$371,000 increase in power purchased. This was largely the result of extreme weather experienced during the first quarter of 2014 which caused market energy prices to increase.

The combined effect of these two factors resulted in 2014 operating income of \$499,000 and an overall increase in Net Position of approximately 275,000 from 2013 to 2014.

Gas Utility Results of Operations

The extreme weather experienced during the first quarter of 2014 drove Osage residents and businesses to increase natural gas consumption by approximately 55,000 Mcf and caused a severe spike in natural gas market prices that lasted into the summer months. This led to an increase in total operating expenses of \$904,000, a 41% increase over 2013 expenses. The significant increase in operating expenses required the utility to recover those costs thru the purchased gas adjustment which increased operating revenues in 2014 by a corresponding 42%, approximately \$1,048,000 over 2013 revenues.

These factors combined to increase net position by approximately \$403,000, a 16% increase over the net position at the end of 2013.

Communications Utility Results of Operations

The Communications Utility ended the year with an increase in net position of approximately \$10,000, or less than 1% from the prior year.

An approximate \$48,000 decrease in cash balance for 2014 represented a 2.5% decrease below the 2013 cash balance.

Most of the Communications Utility's capital assets are owned by the Electric Utility. The Communications Utility shares the use of these assets through an operating joint use agreement as outlined in Note 9.

Combined Results of Operations

The following analysis focuses on the change in net position for the combined divisions of Osage Municipal Utilities.

Changes in Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended December 31,	
	2014	2013
Operating revenues	\$ 10,922	\$ 9,789
Operating expenses	9,974	8,567
Operating income	948	1,222
Net non-operating revenues (expenses)	(262)	(153)
Other financing sources	2	9
Change in net position	688	1,077
Net position beginning of year	18,250	17,173
Net position end of year	\$ 18,938	\$ 18,250

BUDGETARY HIGHLIGHTS

Osage Municipal Utilities did not exceed the amended budgeted limits for expenditures during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2014, Osage Municipal Utilities had approximately \$14.7 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, infrastructure, equipment, and vehicles. This is a net decrease in total capital assets (including additions and deletions net of depreciation) of approximately \$468,000 or 3% compared to last year.

Capital Assets of Business Type Activities (Expressed in Thousands)		
	Year ended December 31,	
	2014	2013
Land and improvements	\$ 60	\$ 60
Buildings and improvements	1,768	1,768
Equipment and vehicles	12,838	13,312
Construction in progress	41	-
Iowa Stored Energy Project	-	35
Total	\$ 14,707	\$ 15,175

The changes in capital assets can be attributed to annual depreciation of capital assets and a decrease in capital costs to upgrade the natural gas town border station to serve increasing industrial natural gas requirements.

Osage Municipal Utilities had depreciation expense of \$1,137,888 in 2014 and total accumulated depreciation of \$18,060,367 at December 31, 2014.

LONG TERM DEBT/LIABILITIES

At December 31, 2014, Osage Municipal Utilities had \$4,628,000 in revenue bonds outstanding compared to \$5,457,000 at December 31, 2013, as shown below.

Outstanding Debt of Business Type Activities (Expressed in Thousands)		
	Year ended December 31,	
	2014	2013
Revenue bonds	\$ 4,628	\$ 5,457
Total	\$ 4,628	\$ 5,457

The reduction in the outstanding debt was a result of the revenue bonds being paid according to their original amortization schedules.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview

of Osage Municipal Utilities' finances and to provide accountability for the money the Utilities receive. If you have questions about this report or need additional financial information, contact Robert Stangel, General Manager, 720 Chestnut Street, Osage, Iowa.

OSAGE MUNICIPAL UTILITIES
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STATEMENTS OF NET POSITION

AS OF DECEMBER 31:

	ENTERPRISE LIGHT AND POWER 2014
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,944,394
Accounts receivable (net of allowance for uncollectibles)	568,487
Unbilled usage	360,447
Certificate of deposit	56,868
Inventory	438,432
Prepaid expenses	26,952
Revolving loan receivable	-
Other assets:	
Revolving loan receivable - net of current portion	-
Sinking fund - restricted	73,464
Certificate of deposit - restricted	788,499
Cash - restricted	-
Capital assets:	
Capital assets (net of accumulated depreciation)	12,462,294
Total assets	\$ 18,719,837
 Liabilities:	
Current liabilities:	
Accounts payable	\$ 398,076
Accounts payable - City of Osage	132,006
Customer meter deposits	25,093
Customer budget billing	23,817
Accrued expenses	75,172
Accrued interest payable	8,681
Deferred revenue	-
Revenue bonds payable	704,466
Noncurrent liabilities:	
Revenue bonds (net of current portion)	3,358,262
Accrued wind expenses	47,500
OPEB liabilities	41,139
Total liabilities	4,814,212
Net position:	
Net investment in capital assets	8,399,566
Restricted - bond covenant	861,963
Unrestricted	4,644,096
Total Net Position	\$ 13,905,625

See notes to the financial statements.

Exhibit A

FUNDS		
GAS	COMMUNICATIONS	TOTAL
2014	2014	2014
\$ 849,913	\$ 1,838,914	\$ 6,633,221
308,060	162,526	1,039,073
276,424	-	636,871
297	-	57,165
35,058	31,653	505,143
199,459	3,495	229,906
37,474	-	37,474
192,616	-	192,616
13,817	-	87,281
-	-	788,499
70,000	-	70,000
1,915,502	328,725	14,706,521
<u>\$ 3,898,620</u>	<u>\$ 2,365,313</u>	<u>\$ 24,983,770</u>
\$ 299,605	\$ 28,215	\$ 725,896
-	-	132,006
40,934	22,787	88,814
7,794	-	31,611
14,419	36,063	125,654
1,067	-	9,748
-	131,149	131,149
135,000		839,466
430,000	-	3,788,262
-	-	47,500
54,918	29,786	125,843
983,737	248,000	6,045,949
1,350,502	328,725	10,078,793
83,817	-	945,780
1,480,564	1,788,588	7,913,248
<u>\$ 2,914,883</u>	<u>\$ 2,117,313</u>	<u>\$ 18,937,821</u>

OSAGE MUNICIPAL UTILITIES
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

YEARS ENDED DECEMBER 31:

	ENTERPRISE LIGHT AND POWER 2014
Operating revenues:	
Charges for service	\$ 5,546,543
Operating expenses:	
Business type activities	5,047,121
Operating income (loss)	499,422
Non-operating revenues (expenses):	
Interest income	18,892
Interest expense	(125,916)
Other income	35,732
Donations	(153,468)
Total non-operating revenues (expenses)	(224,760)
Other financing sources (uses):	
Gain (loss) on sale of capital assets	-
Total other financing sources (uses)	-
Change in net position	274,662
Net position - beginning of year	13,630,963
Net position - end of year	\$ 13,905,625

See notes to the financial statements.

FUNDS		
GAS	COMMUNICATIONS	TOTAL
2014	2014	2014
\$ 3,547,799	\$ 1,827,453	\$ 10,921,795
3,135,166	1,791,547	9,973,834
412,633	35,906	947,961
4,225	5,711	28,828
(14,038)	(209)	(140,163)
39,160	-	74,892
(40,332)	(31,339)	(225,139)
(10,985)	(25,837)	(261,582)
1,589	-	1,589
1,589	-	1,589
403,237	10,069	687,968
2,511,646	2,107,244	18,249,853
\$ 2,914,883	\$ 2,117,313	\$ 18,937,821

OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31:

	ENTERPRISE LIGHT AND POWER 2014
Cash flows from operating activities:	
Cash receipts from customers	\$ 5,393,653
Cash received from other funds	143,523
Cash payments to suppliers	(3,261,825)
Cash payments to employees	(502,689)
Cash payments to other funds	-
Net cash provided by operating activities	<u>1,772,662</u>
Cash flows from noncapital financing activities:	
Miscellaneous non-operating revenue	35,731
Donations	(153,468)
Net cash provided (used) by noncapital financing activities	<u>(117,737)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(523,447)
Construction refund received	-
Proceeds from sale of assets	-
Repayment of revenue bonds	(683,466)
Cash paid for interest	(127,041)
Net cash used by capital and related financing activities	<u>(1,333,954)</u>
Cash flows from investing activities:	
Purchases of investments	(6,632)
Revolving loan fund - collections	-
Investment income	18,892
Net cash provided by investing activities	<u>12,260</u>
Net increase (decrease) in cash and cash equivalents	333,231
Cash and cash equivalents-beginning of year	3,611,163
Cash and cash equivalents-end of year	<u>\$ 3,944,394</u>
Reconciliation of operating income to net cash provided by operating activities:	
Income from operations	\$ 499,422
Adjustments to reconcile operating income to Net cash provided by operating activities:	
Depreciation and amortization	1,133,409
Change in accounts receivable	(10,970)
Change in meter deposits and unbilled usage	1,603
Change in prepaid expenses	3,588
Change in inventory	(8,021)
Change in accounts payable and other liabilities	153,631
Net cash provided by operating activities	<u>\$ 1,772,662</u>

See notes to the financial statements.

Exhibit C

FUNDS		
GAS	COMMUNICATIONS	TOTAL
2014	2014	2014
\$ 3,542,451	\$ 1,864,013	\$ 10,800,117
-	-	143,523
(2,801,248)	(1,210,937)	(7,274,010)
(311,000)	(365,318)	(1,179,007)
-	(143,523)	(143,523)
430,203	144,235	2,347,100
39,160	-	74,891
(40,332)	(31,339)	(225,139)
(1,172)	(31,339)	(150,248)
(117,660)	(166,600)	(807,707)
135,879	-	135,879
4,772	-	4,772
(135,000)	-	(818,466)
(14,150)	(209)	(141,400)
(126,159)	(166,809)	(1,626,922)
(1,685)	-	(8,317)
37,439	-	37,439
4,226	5,711	28,829
39,980	5,711	57,951
342,852	(48,202)	627,881
507,061	1,887,116	6,005,340
\$ 849,913	\$ 1,838,914	\$ 6,633,221
\$ 412,633	\$ 35,906	947,961
104,724	24,471	1,262,604
(24,862)	69,978	34,146
19,334	4,189	25,126
(35,327)	319	(31,420)
(27,398)	2,446	(32,973)
(18,901)	6,926	141,656
\$ 430,203	\$ 144,235	\$ 2,347,100

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Osage Municipal Utilities is a component unit of the City of Osage whose funds are reported under separate cover utilizing a fiscal year ending June 30. The City of Osage is a political subdivision of the State of Iowa located in Mitchell County. Osage Municipal Utilities is governed by a separate Board of Trustees and operates under the authority of Chapter 388 of the Code of Iowa. Osage Municipal Utilities provides electric, gas, cable, telephone, internet, and wireless internet services on a user charge basis to the general public and other governmental units within Mitchell County, Iowa.

A. Reporting Entity

For financial reporting purposes, Osage Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. Osage Municipal Utilities has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with Osage Municipal Utilities are such that exclusion would cause Osage Municipal Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of Osage Municipal Utilities to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on Osage Municipal Utilities. Osage Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

Osage Municipal Utilities participates in a jointly governed organization that provides goods and services to Osage Municipal Utilities but does not meet the criteria of a joint venture since there is not an ongoing financial interest or responsibility by the participating parties. The General Manager serves on the Upper Midwest Municipal Power Agency.

B. Basis of Presentation

Fund Financial Statements - Separate financial statements are provided for proprietary funds. Major individual proprietary funds are reported as separate columns in the financial statements.

Osage Municipal Utilities has three major funds:

The Light and Power Fund is used to account for delivery of electricity to the citizens and businesses of Osage.

**OSAGE MUNICIPAL UTILITIES
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NOTES TO THE FINANCIAL STATEMENTS

The Gas Fund is used to account for the delivery of natural gas to the citizens and businesses of Osage.

The Communications Fund is used to account for the delivery of telephone, cable, and high speed internet to the citizens and businesses of Osage.

C. Measurement Focus and Basis of Accounting

Osage Municipal Utilities maintains their financial records on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of cash flows.

The proprietary funds of Osage Municipal Utilities apply all applicable GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Osage Municipal Utilities result from charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements did not exceed the amounts budgeted for the year ended December 31, 2014.

E. Osage Municipal Utilities Plant and Depreciation

Osage Municipal Utilities' plant is stated at original cost when first placed in service. Expenditures for additions and betterments over \$2,500 (including labor charges) are capitalized, while expenditures for repairs and maintenance are charged to operations as incurred. Interest costs incurred during construction periods are also capitalized. The costs of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. The straight-line method is used for computing depreciation with estimated useful lives ranging from two to fifty years.

**OSAGE MUNICIPAL UTILITIES
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NOTES TO THE FINANCIAL STATEMENTS

F. Revenue, Unbilled Usage, and Deferred Revenue

Revenues are based on billing rates applied to customers' consumption. Unbilled usage represents revenues based upon estimated consumption for the period between the last billing dates and the end of the year. Deferred revenue represents amounts billed for cable, internet, and telephone services that had not yet been provided at the end of the year.

G. Inventory

Inventories, which consist of fuel oil and materials for plant and distribution systems, are stated at the lower of cost (first-in, first-out) or market. Inventories are recorded as expenses when consumed rather than when purchased.

H. Rate Matters

Rates charged by Osage Municipal Utilities are established by the Board of Trustees and, as a municipal system, are not subject to the regulation of the Utilities Division of the Department of Commerce of the State of Iowa.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Fair Value of Financial Instruments

The Utilities are required to disclose the estimated fair values for all financial instruments for which it is practicable to estimate fair value. For instruments including cash, accounts receivable and payable and accruals, it is estimated that the carrying values approximate fair value because of their short maturities. The carrying amounts of long term debt, which matures through the year 2029, are also assumed to approximate their fair value.

K. Cash and Cash Equivalents

For the purpose of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

**OSAGE MUNICIPAL UTILITIES
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NOTES TO THE FINANCIAL STATEMENTS

L. Restricted Assets

Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers. The Utilities' policy is to utilize restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

M. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

The Electric and Gas funds of Osage Municipal Utilities use the direct write off method to charge off uncollectible accounts receivable which approximates the results that would have been experienced using the allowance method to account for bad debts. A 1.5% per month penalty is charged for accounts older than 30 days. Utilities are shut off for all users when 32 days past due except for utilities purchased under Iowa's Winter Utility Shutoff Moratorium. Therefore, uncollectible accounts are insignificant.

The Communications Fund uses the allowance method to charge off uncollectible accounts receivable. Management uses its judgment based primarily on the length of time specific accounts have been outstanding in determining the estimated allowance for doubtful accounts and related accounts receivable write offs. A 1.5% per month penalty is charged for accounts older than 30 days. As of December 31, 2014 the allowance for doubtful accounts was \$-0-.

NOTE 2 - CASH AND INVESTMENTS

Osage Municipal Utilities' deposits at December 31, 2014 (which include certificates of deposit totaling \$906,272) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Osage Municipal Utilities are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; warrants or improvement certificates of a drainage district.

**OSAGE MUNICIPAL UTILITIES
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Osage Municipal Utilities have funds on deposit with the Wisconsin Local Government Investment Pool as part of their Shared Transmission System Agreement with Dairyland Power Cooperative. According to the agreement, the funds can be withdrawn at any time, and have been withdrawn in the past. These deposits were \$231,211 as of December 31, 2014. The Wisconsin Local Government Investment Pool is held outside the State of Iowa. Cash is used in order to invest in transmission improvements and to cover control center costs.

Osage Municipal Utilities' investments are categorized to give an indication of the level of risk assumed by Osage Municipal Utilities at year-end. Osage Municipal Utilities' investments are all category 1, which means that the investments are insured or registered or the securities are held by Osage Municipal Utilities or their agent in Osage Municipal Utilities' name.

Interest Rate Risk - Osage Municipal Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of Osage Municipal Utilities.

NOTE 3 – REVENUE BONDS PAYABLE

The following is a summary of changes in long-term debt for the year ended December 31, 2014.

Light and Power Fund:

	Bal.1/1/14	Issued	Repaid	Bal.12/31/14
Business type activities:				
Revenue bonds—issued November 2008	\$ 1,084,194	-	120,466	\$ 963,728
Revenue bonds—issued February 2010	388,000	-	19,000	369,000
Revenue bonds—issued February 2010	900,000	-	100,000	800,000
Revenue bonds—issued December 2010	2,385,000	-	455,000	1,930,000
	<u>\$ 4,757,194</u>	<u>-</u>	<u>694,466</u>	<u>\$ 4,062,728</u>

Gas Fund:

	Bal.1/1/14	Issued	Repaid	Bal.12/31/14
Business type activities:				
Revenue bonds—issued August 2013	\$ 700,000	-	135,000	\$ 565,000
	<u>\$ 700,000</u>	<u>-</u>	<u>135,000</u>	<u>\$ 565,000</u>

Annual debt service requirements to maturity for the Light and Power revenue bonds are as follows:

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Year Ending December 31,	Light and Power Series 2008 Interest 1.27%		Light and Power Series 2010 Interest 2-4%		SRF Revenue Bonds Feb 2010 Interest 3%		2010 Refunding Dec 2010 Interest 2-3.25%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$120,466	\$12,239	\$100,000	\$ 27,600	\$ 19,000	\$11,070	\$ 465,000	\$ 53,262	\$ 704,466	\$104,171
2016	120,466	10,710	100,000	25,000	20,000	10,500	480,000	42,800	720,466	89,010
2017	120,466	9,179	100,000	22,000	21,000	9,900	485,000	30,800	726,466	71,879
2018	120,466	7,650	100,000	18,800	21,000	9,270	500,000	16,250	741,466	51,970
2019	120,466	6,120	100,000	15,400	22,000	8,640	-	-	242,466	30,160
2020- 2024	361,398	9,180	300,000	23,800	122,000	32,790	-	-	783,398	65,770
2025- 2029	-	-	-	-	144,000	13,200	-	-	144,000	13,200
	<u>\$963,728</u>	<u>\$55,078</u>	<u>\$800,000</u>	<u>\$132,600</u>	<u>\$369,000</u>	<u>\$95,370</u>	<u>\$1,930,000</u>	<u>\$143,112</u>	<u>\$4,062,728</u>	<u>\$426,160</u>

Annual debt service requirements to maturity for the Gas revenue bonds are as follows:

Year Ending December 31,	Gas Series 2013 Interest 1.00-3.00%	
	Principal	Interest
2015	\$135,000	\$12,800
2016	140,000	10,775
2017	145,000	7,975
2018	145,000	4,350
2019	-	-
	<u>\$565,000</u>	<u>\$35,900</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to the sinking fund for the purpose of making the note principal and interest payments when due.
- C. Sufficient monthly transfers shall be made to a light and power reserve fund to be used solely for the purpose of paying principal at maturity or interest on the bonds for the payment of which sufficient money may not be available in the sinking fund. The reserve fund set aside amounted to \$688,499 at December 31, 2014.
- D. Sufficient monthly transfers shall be made to a gas reserve fund to be used solely for the purpose of paying principal at maturity or interest on the bonds for the payment of which sufficient money may not be available in the sinking fund. The reserve fund set aside amounted to \$70,000 at December 31, 2014.
- E. Sufficient monthly transfers shall be made to a light and power improvement fund to be used solely for the purpose of paying principal or interest on the bonds should insufficient money be available in the sinking and reserve funds; and to the extent not required for the foregoing purposes to pay the

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cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget of revenues and current expenses, or capital improvements to the system. The required minimum balance in the reserve is \$100,000 and has been achieved as of December 31, 2014.

NOTE 4 – INTEREST COSTS

During the year ended December 31, 2014, the interest incurred and expensed is as follows:

	December 31, 2014
Light and Power	\$ 125,916
Gas	\$ 14,038
Communications	\$ 209

NOTE 5 - PENSION AND RETIREMENT BENEFITS

Osage Municipal Utilities contribute to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members were required to contribute 5.95% of their salary and Osage Municipal Utilities was required to contribute 8.93% of covered payroll. Contribution requirements are established by State statute. Osage Municipal Utilities' contributions to IPERS for the years ended December 31, 2014, 2013 and 2012 were \$109,103, \$108,665, and \$99,359 respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

Osage Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three calendar years. Osage Municipal Utilities assumes liability for any deductibles and claims in excess of coverage limitations.

NOTE 7 – COMPENSATED ABSENCES

Osage Municipal Utilities' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the proprietary fund financial statements. Osage Municipal

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Utilities' approximate liability for earned vacation payments payable to employees at December 31, 2014 is as follows:

December 31, 2014	Light and Power	Gas	Communications	Total
Vacation	\$ <u>46,491</u>	\$ <u>7,474</u>	\$ <u>12,757</u>	\$ <u>66,722</u>

NOTE 8 – INTERFUND TRANSFERS

There were no interfund transfers made during the year ended December 31, 2014.

NOTE 9 – JOINT USE AGREEMENT

Osage Municipal Utilities' Light and Power Fund constructed a Fiber Optic System to facilitate information transmission. Portions of this system are with the Communications Fund under a thirty-year joint use agreement. Required annual payments under this agreement are \$143,523. Future minimum payments due under this agreement are as follows:

Year Ending:	Payment
2015	143,523
2016	143,523
2017	143,523
2018	143,523
2019	143,523
2020-2024	717,615
2025-2029	717,615
2030-2034	717,615
2035	143,523
Total	<u>\$ 3,013,983</u>

NOTE 10 – CAPITAL ASSETS

The following schedules disclose the major fixed asset additions for the year ended December 31, 2014.

Light and Power Fund

Capital Assets	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital Assets not being depreciated:				
Land	\$ 41,029	-	-	\$ 41,029
Iowa Stored Energy Park Agency	-	-	-	-
Construction in progress	-	20,623	-	20,623

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Capital Assets being depreciated:				
Buildings and improvements	1,199,223	-	-	1,199,223
Generating equipment and lines	15,406,649	431,077	-	15,837,726
HFC distribution center	5,806,195	76,547	-	5,882,742
Equipment and vehicles	1,555,747	-	-	1,555,747
Broadband room and digital cable	437,447	-	-	437,447
Wind Energy	3,641,323	-	-	3,641,323
Total capital assets	28,087,613	528,247	-	28,615,860
Less: Accumulated depreciation	15,144,873	1,008,693	-	16,153,566
Book value	<u>\$ 12,942,740</u>			<u>\$ 12,462,294</u>

Gas Fund				
Capital Assets	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital Assets not being depreciated:				
Land	\$ 18,956	-	-	\$ 18,956
Iowa Stored Energy Park Agency	-	-	-	-
Construction in progress	-	20,623	-	20,623
Capital Assets being depreciated:				
Buildings and improvements	569,116	-	-	569,116
Peak shaving plant	254,476	-	-	254,476
Gas plant, lines and meters	980,474	70,724	-	1,051,198
VBC gas pipeline	1,323,116	-	135,879	1,187,237
Equipment and vehicles	490,351	22,448	-	512,799
Total capital assets	3,636,489	113,795	135,879	3,614,405
Less: Accumulated depreciation	1,595,040	104,724	861	1,698,903
Book value	<u>\$ 2,041,449</u>			<u>\$ 1,915,502</u>

Communications				
Capital Assets	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital Assets being depreciated:				
Equipment and vehicles	\$ 333,854	162,291	-	\$ 496,145
Organizational costs	40,476	-	-	40,476
Total capital assets	374,330	192,291	-	536,621
Less: Accumulated depreciation	183,425	24,471	-	207,896
Book value	<u>\$ 190,905</u>			<u>\$ 328,724</u>

NOTE 11 – RESTRICTED NET POSITION

As required by bond resolution, the Light and Power Fund of Osage Municipal Utilities has set aside

**OSAGE MUNICIPAL UTILITIES
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NOTES TO THE FINANCIAL STATEMENTS

the following reserve funds for the year ended December 31, 2014:

	December 31, 2014			
	Reserve for Debt Service	Reserve for Sinking Fund	Reserve for System Improvement	Total
Balance, beginning of year	\$ 688,499	\$ 67,678	\$ 100,000	\$ 856,177
Deposits	-	816,293	-	816,293
Withdrawals	-	810,507	-	810,507
Balance, end of year	<u>\$ 688,499</u>	<u>\$ 73,464</u>	<u>\$ 100,000</u>	<u>\$ 861,963</u>

As required by bond resolution, the Gas Fund of Osage Municipal Utilities has set aside the following reserve funds for the year ended December 31, 2014:

	Reserve for Debt Service	Reserve for Sinking Fund	Total
Balance, beginning of year	\$ 70,000	\$ 12,429	\$ 82,429
Deposits	-	150,538	150,538
Withdrawals	-	149,150	149,150
Balance, end of year	<u>\$ 70,000</u>	<u>\$ 13,817</u>	<u>\$ 83,817</u>

NOTE 12 – REVOLVING LOAN FUND RECEIVABLE

Osage Municipal Utilities manages a revolving loan fund used to increase economic development in the area. The revolving loan fund was funded through a grant from the USDA. The initial loan made from the fund was to the City of Osage for \$360,000 and as they repay their portion the Utilities will develop new programs to loan the money back out. An additional loan was made from this fund during the year ended December 31, 2013 of \$16,000. As of December 31, 2014 the balance of the receivable was \$230,090. Osage Municipal Utilities has a separate bank account specifically for making loans and depositing collections for this revolving loan fund that had a balance at December 31, 2014 of \$132,599.

NOTE 13 - ECONOMIC DEVELOPMENT

Osage Municipal Utilities' Board of Trustees has agreed to contribute financially to assist in constructing the Cedar River Recreation & Fine Arts Complex. The contributions for the year ended December 31, 2014 was \$100,000. The annual contributions are anticipated to be \$100,000 per year for the next 10 years. The contributions may only come from surpluses generated by Osage Municipal Utilities and are expected to attract economic activity to the region.

**OSAGE MUNICIPAL UTILITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. Osage Municipal Utilities operates a single-employer health plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 20 active members and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by Osage Municipal Utilities. Osage Municipal Utilities currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. Osage Municipal Utilities' annual OPEB cost is calculated based on the annual required contribution (ARC) of Osage Municipal Utilities, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

As of December 31, 2014 Osage Municipal Utilities' had an OPEB Liability balance of \$125,843. The following table shows the components of the Osage Municipal Utilities' annual OPEB cost for the year ended December 31, 2014, the amount actually contributed to the plan and changes in Osage Municipal Utilities' net OPEB obligations:

	Light and Power	Gas	Cable	Total
Annual required contribution	\$8,999	\$ 7,422	\$ 7,786	\$ 24,207
Interest on net OPEB obligation	1,386	1,899	881	4,166
Adjustment to annual required contribution	(1,377)	(1,886)	(876)	(4,139)
Annual OPEB cost	9,008	7,435	7,791	24,234
Contributions made	(2,543)	(1)	1	2,543
Increase in net OPEB obligation	6,465	7,434	7,792	21,691
Net OPEB obligation beginning of year	34,674	47,484	21,994	104,152
Net OPEB obligation end of year	\$ 41,139	\$ 54,918	\$ 29,786	\$ 125,843

For calculation of the net OPEB obligation, the actuary has set the transition day as January 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended December 31, 2014.

One Osage Municipal Utilities retiree is currently in the retirement benefit plan.

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NOTES TO THE FINANCIAL STATEMENTS

Osage Municipal Utilities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 30,167	26.6%	\$ 59,870
December 31, 2012	\$ 30,158	26.6%	\$ 82,012
December 31, 2013	\$ 31,522	29.7%	\$ 104,152
December 31, 2014	\$ 24,234	10.5%	\$ 125,843

Funded Status and Funding Progress. As of January 1, 2014, the most recent actuarial valuation date for the period January 1, 2014 through December 31, 2014, the actuarial accrued liability was \$184,322, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$184,322. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,099,225 and the ratio of the UAAL to covered payroll was 16.8%. As of December 31, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on Osage Municipal Utilities' funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the SOA RPH 2014 Total Dataset Mortality fully generational Scale MP-2014 using scale AA. Annual retirement probability 100% at age 60 and termination probabilities were developed based on national averages.

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Projected claim costs of the medical plan for retirees are \$792 per month for the Traditional Plan and \$542 for the HSA Plan. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 18, 2015, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

**OSAGE MUNICIPAL UTILITIES
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**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES – BUDGET AND ACTUAL -
ALL ENTERPRISE FUNDS**

DECEMBER 31, 2014

	Proprietary Funds Actual	Budgeted Amounts		Final to Net Variance
		Original	Amended	
Receipts:				
Charges for service	\$ 10,921,795	\$ 9,844,191	\$ 10,994,191	\$ (72,396)
Interest earnings	28,828	20,900	20,900	7,928
Miscellaneous	76,481	46,000	46,000	30,481
	11,027,104	9,911,091	11,061,091	(33,987)
Disbursements:				
Program:				
Business type activities	10,339,136	9,279,503	10,379,503	40,367
	10,339,136	9,279,503	10,379,503	40,367
Excess of revenues over expenses	687,968	631,588	681,588	<u>\$ 6,380</u>
Other financing sources (uses)	-	-	-	
Excess of revenues and other Financing sources over expenses	687,968	631,588	681,588	
Balance beginning of year	18,249,853	18,946,961	18,946,961	
Balance end of year	<u>\$ 18,937,821</u>	<u>\$ 19,578,549</u>	<u>\$ 19,628,549</u>	

See accompanying independent auditor's report.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING**

DECEMBER 31, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for each major Proprietary Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the all Proprietary Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Osage Municipal Utilities amended its budget one time in 2014. The amended budget increased budgeted revenues and expenses by \$1,150,000 and \$1,100,000 respectively.

For the year ended December 31, 2014, Osage Municipal Utilities did not exceed budgeted expenditures.

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(In Thousands)**

DECEMBER 31, 2014

Year Ended December 31,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(c)	(a/b)	(c)	(b-a)/c
2010	January 1, 2009	\$-0-	\$182	\$182	0.00%	\$1,164	15.6%
2011	January 1, 2011	-0-	204	204	0.00%	1,084	18.8%
2012	January 1, 2011	-0-	204	204	0.00%	1,198	17.0%
2013	January 1, 2011	-0-	204	204	0.00%	1,234	16.5%
2014	January 1, 2014	-0-	184	184	0.00%	1,099	16.8%

See Note 14 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funded status and funding progress.

**OSAGE MUNICIPAL UTILITIES
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COMPARATIVE SCHEDULE OF NET POSITION

AS OF DECEMBER 31:

	ENTERPRISE	
	LIGHT AND POWER	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,944,394	\$ 3,611,163
Accounts receivable (net of allowance for uncollectibles)	568,487	557,517
Unbilled usage	360,447	345,745
Certificate of deposit	56,868	43,336
Inventory	438,432	430,411
Prepaid expenses	26,952	30,540
Revolving loan receivable	-	-
Other assets:		
Revolving loan receivable - net of current portion	-	-
Sinking fund - restricted	73,464	12,686
Certificate of deposit - restricted	788,499	856,177
Cash - restricted	-	-
Capital assets:		
Capital assets (net of accumulated depreciation)	12,462,294	12,942,740
Total assets	\$ 18,719,837	\$ 18,830,315
Liabilities:		
Current liabilities:		
Accounts payable	\$ 398,076	\$ 310,068
Accounts payable - City of Osage	132,006	85,140
Customer meter deposits	25,093	21,986
Customer budget billing	23,817	10,619
Accrued expenses	75,172	65,915
Accrued interest payable	8,681	9,806
Deferred revenue	-	-
Revenue bonds payable	704,466	694,466
Noncurrent liabilities:		
Revenue bonds (net of current portion)	3,358,262	3,928,678
Accrued wind expenses	47,500	38,000
OPEB liabilities	41,139	34,674
Total liabilities	4,814,212	5,199,352
Net position:		
Net investment in capital assets	8,399,566	8,185,546
Restricted - bond covenant	861,963	856,177
Unrestricted	4,644,096	4,589,240
Total Net Position	\$ 13,905,625	\$ 13,630,963

See accompanying independent auditor's report.

FUNDS						
GAS		COMMUNICATIONS		TOTAL		
2014	2013	2014	2013	2014	2013	
\$ 849,913	\$ 507,061	\$ 1,838,914	\$ 1,887,116	\$ 6,633,221	\$ 6,005,340	
308,060	283,378	162,526	232,324	1,039,073	1,073,219	
276,424	318,551	-	-	636,871	664,296	
297	-	-	-	57,165	43,336	
35,058	7,660	31,653	34,099	505,143	472,170	
199,459	164,132	3,495	3,814	229,906	198,486	
37,474	37,440	-	-	37,474	37,440	
192,616	230,089	-	-	192,616	230,089	
13,817	12,429	-	-	87,281	25,115	
-	-	-	-	788,499	856,177	
70,000	70,000	-	-	70,000	70,000	
1,915,502	2,041,449	328,725	190,905	14,706,521	15,175,094	
<u>\$ 3,898,620</u>	<u>\$ 3,672,189</u>	<u>\$ 2,365,313</u>	<u>\$ 2,348,258</u>	<u>\$ 24,983,770</u>	<u>\$ 24,850,762</u>	
\$ 299,605	\$ 321,822	\$ 28,215	\$ 30,937	\$ 725,896	\$ 662,827	
-	-	-	-	132,006	85,140	
40,934	36,527	22,787	18,598	88,814	77,111	
7,794	34,994	-	-	31,611	45,613	
14,419	18,537	36,063	34,207	125,654	118,659	
1,067	1,179	-	-	9,748	10,985	
-	-	131,149	135,278	131,149	135,278	
135,000	135,000	-	-	839,466	829,466	
430,000	565,000	-	-	3,788,262	4,493,678	
-	-	-	-	47,500	38,000	
54,918	47,484	29,786	21,994	125,843	104,152	
983,737	1,160,543	248,000	241,014	6,045,949	6,600,909	
1,350,502	1,341,449	328,725	190,905	10,078,793	9,717,900	
83,817	82,429	-	-	945,780	938,606	
1,480,564	1,087,768	1,788,588	1,916,339	7,913,248	7,593,347	
<u>\$ 2,914,883</u>	<u>\$ 2,511,646</u>	<u>\$ 2,117,313</u>	<u>\$ 2,107,244</u>	<u>\$ 18,937,821</u>	<u>\$ 18,249,853</u>	

OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

YEARS ENDED DECEMBER 31:

	ENTERPRISE	
	LIGHT AND POWER	
	2014	2013
Operating revenues:		
Charges for service	\$ 5,546,543	\$ 5,422,955
Operating expenses:		
Business type activities	5,047,121	4,671,128
Operating income	<u>499,422</u>	<u>751,827</u>
Non-operating revenues (expenses):		
Interest income	18,892	29,060
Interest expense	(125,916)	(140,561)
Other income	35,731	66,340
Donations	<u>(153,468)</u>	<u>(65,876)</u>
Total non-operating revenues (expenses)	<u>(224,761)</u>	<u>(111,037)</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	-	-
Gain on sale of capital assets	-	5,139
Total other financing sources (uses)	<u>-</u>	<u>5,139</u>
Change in net position	274,661	645,929
Net position - beginning of year	<u>13,630,963</u>	<u>12,985,034</u>
Net position - end of year	<u><u>\$ 13,905,624</u></u>	<u><u>\$ 13,630,963</u></u>

See accompanying independent auditor's report.

FUNDS							
GAS		COMMUNICATIONS		NON-MAJOR		TOTAL	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 3,547,799	\$ 2,499,411	\$ 1,827,453	\$ 1,866,251	\$ -	\$ -	\$ 10,921,795	\$ 9,788,617
3,135,166	2,231,042	1,791,547	1,664,410	-	-	9,973,834	8,566,580
412,633	268,369	35,906	201,841	-	-	947,961	1,222,037
4,226	4,449	5,711	6,020	-	-	28,829	39,529
(14,038)	(5,384)	(209)	(193)	-	-	(140,163)	(146,138)
39,160	37,844	-	-	-	-	74,891	104,184
(40,332)	(16,664)	(31,339)	(68,339)	-	-	(225,139)	(150,879)
(10,984)	20,245	(25,837)	(62,512)	-	-	(261,582)	(153,304)
-	-	-	1,967,915	-	-	-	1,967,915
-	-	-	-	-	(1,967,915)	-	(1,967,915)
1,589	3,393	-	-	-	-	1,589	8,532
1,589	3,393	-	1,967,915	-	(1,967,915)	1,589	8,532
403,238	292,007	10,069	2,107,244	-	(1,967,915)	687,968	1,077,265
2,511,646	2,219,639	2,107,244	-	-	1,967,915	18,249,853	17,172,588
\$ 2,914,884	\$ 2,511,646	\$ 2,117,313	\$ 2,107,244	\$ -	\$ -	\$ 18,937,821	\$ 18,249,853

OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE

COMPARATIVE SCHEDULE OF CASH FLOWS

YEARS ENDED DECEMBER 31:

	ENTERPRISE		GAS	
	LIGHT AND POWER			
	2014	2013	2014	2013
Cash flows from operating activities:				
Cash receipts from customers	\$ 5,393,653	\$ 5,192,075	\$ 3,542,451	\$ 2,224,713
Cash received from other funds	143,523	143,523	-	-
Cash payments to suppliers	(3,261,825)	(2,967,962)	(2,801,248)	(1,783,591)
Cash payments to employees	(502,689)	(535,836)	(311,000)	(252,655)
Cash payments to other funds	-	-	-	-
Net cash provided by operating activities	<u>1,772,662</u>	<u>1,661,082</u>	<u>430,203</u>	<u>176,800</u>
Cash flows from noncapital financing activities:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Miscellaneous non-operating revenue	35,731	66,340	39,160	37,844
Donations	(153,468)	(65,876)	(40,332)	(16,664)
Net cash provided (used) by noncapital financing activities	<u>(117,737)</u>	<u>464</u>	<u>(1,172)</u>	<u>21,180</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(523,447)	(503,874)	(117,660)	(1,400,344)
Construction refund received	-	-	135,879	-
Proceeds from sale of assets	-	46,070	4,772	14,390
Funded debt reserve	-	-	-	(82,429)
Proceeds from revenue bonds	-	-	-	700,000
Repayment of revenue bonds	(683,466)	(692,006)	(135,000)	-
Cash paid for interest	(127,041)	(141,642)	(14,150)	(5,384)
Net cash used by capital and related financing activities	<u>(1,333,954)</u>	<u>(1,291,452)</u>	<u>(126,159)</u>	<u>(773,767)</u>
Cash flows from investing activities:				
Purchases of investments	(6,632)	(31,195)	(1,685)	-
Revolving loan fund - advances	-	-	-	(16,000)
Revolving loan fund - collections	-	-	37,439	36,471
Investment income	18,892	29,060	4,226	4,449
Net cash provided by investing activities	<u>12,260</u>	<u>(2,135)</u>	<u>39,980</u>	<u>24,920</u>
Net increase (decrease) in cash and cash equivalents	333,231	367,959	342,852	(550,867)
Cash and cash equivalents-beginning of year	3,611,163	3,243,204	507,061	1,057,928
Cash and cash equivalents-end of year	<u>\$ 3,944,394</u>	<u>\$ 3,611,163</u>	<u>\$ 849,913</u>	<u>\$ 507,061</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Income from operations	\$ 499,422	\$ 751,827	\$ 412,633	\$ 268,369
Adjustments to reconcile operating income to Net cash provided by operating activities:				
Depreciation and amortization	1,133,409	1,008,409	104,724	72,106
Change in accounts receivable	(10,970)	(30,098)	(24,862)	(104,844)
Change in meter deposits and unbilled usage	1,603	(43,776)	19,334	(102,751)
Change in prepaid expenses	3,588	(6,534)	(35,327)	22,071
Change in inventory	(8,021)	26,053	(27,398)	107
Change in accounts payable and other liabilities	153,631	(44,799)	(18,901)	21,742
Net cash provided by operating activities	<u>\$ 1,772,662</u>	<u>\$ 1,661,082</u>	<u>\$ 430,203</u>	<u>\$ 176,800</u>

See accompanying independent auditor's report.

FUNDS					
COMMUNICATIONS		NONMAJOR		TOTAL	
2014	2013	2014	2013	2014	2013
\$ 1,864,013	\$ 1,747,212	\$ -	\$ -	\$ 10,800,117	\$ 9,164,000
-	-	-	-	143,523	143,523
(1,210,937)	(1,075,555)	-	-	(7,274,010)	(5,827,108)
(365,318)	(319,798)	-	-	(1,179,007)	(1,108,289)
(143,523)	(143,523)	-	-	(143,523)	(143,523)
144,235	208,336	-	-	2,347,100	2,046,218
-	1,903,365	-	-	-	1,903,365
-	-	-	(1,903,365)	-	(1,903,365)
-	-	-	-	74,891	104,184
(31,339)	(68,339)	-	-	(225,139)	(150,879)
(31,339)	1,835,026	-	(1,903,365)	(150,248)	(46,695)
(166,600)	(162,073)	-	-	(807,707)	(2,066,291)
-	-	-	-	135,879	-
-	-	-	-	4,772	60,460
-	-	-	-	-	(82,429)
-	-	-	-	-	700,000
-	-	-	-	(818,466)	(692,006)
(209)	(193)	-	-	(141,400)	(147,219)
(166,809)	(162,266)	-	-	(1,626,922)	(2,227,485)
-	-	-	-	(8,317)	(31,195)
-	-	-	-	-	(16,000)
-	-	-	-	37,439	36,471
5,711	6,020	-	-	28,829	39,529
5,711	6,020	-	-	57,951	28,805
(48,202)	1,887,116	-	(1,903,365)	627,881	(199,157)
1,887,116	-	-	1,903,365	6,005,340	6,204,497
\$ 1,838,914	\$ 1,887,116	\$ -	\$ -	\$ 6,633,221	\$ 6,005,340
\$ 35,906	\$ 201,841	\$ -	\$ -	947,961	1,222,037
24,471	7,949	-	-	1,262,604	1,088,464
69,978	(31,278)	-	-	34,146	(166,220)
4,189	(2,089)	-	-	25,126	(148,616)
319	(521)	-	-	(31,420)	15,016
2,446	4,980	-	-	(32,973)	31,140
6,926	27,454	-	-	141,656	4,397
\$ 144,235	\$ 208,336	\$ -	\$ -	\$ 2,347,100	\$ 2,046,218

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

**COMPARATIVE SCHEDULE OF OPERATING REVENUE
ENTERPRISE FUNDS**

YEARS ENDED DECEMBER 31:

	ENTERPRISE LIGHT AND POWER	
	2014	2013
Operating revenues:		
Rural	127,519	\$ 125,575
Residential sales	1,493,549	1,506,242
Commercial and industrial	3,614,507	3,449,660
Public buildings	37,014	37,905
Interruptibles	-	-
Bookkeeping fee - City of Osage	9,000	9,000
Pipeline revenue	-	-
Other operating fees	264,954	294,573
	<u>\$ 5,546,543</u>	<u>\$ 5,422,955</u>

See accompanying independent auditor's report.

FUNDS					
GAS		COMMUNICATIONS		TOTAL	
2014	2013	2013	2012	2014	2013
\$ -	\$ -	\$ -	\$ -	\$ 127,519	\$ 125,575
1,448,754	1,134,878	1,819,688	1,929,190	4,761,991	4,570,310
1,027,126	767,151	-	-	4,641,633	4,216,811
-	-	-	-	37,014	37,905
659,922	488,599	-	-	659,922	488,599
9,000	9,000	-	-	18,000	18,000
356,104	76,155	-	-	356,104	76,155
46,893	23,628	7,765	5,355	319,612	323,556
<u>\$ 3,547,799</u>	<u>\$ 2,499,411</u>	<u>\$ 1,827,453</u>	<u>\$ 1,934,545</u>	<u>\$ 10,921,795</u>	<u>\$ 9,856,911</u>

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

COMPARATIVE SCHEDULES OF OPERATING EXPENSES

YEARS ENDED DECEMBER 31:

	ENTERPRISE	
	LIGHT AND POWER	
	2014	2013
Operating expenses:		
Plant expenses:		
Supervision and labor	\$ 128,216	\$ 117,676
Payroll taxes	21,967	21,904
Fuel	12,879	35,833
Insurance	29,500	27,135
Supplies	4,782	18,910
Power purchased	2,640,510	2,269,539
Maintenance and materials	3,436	12,584
Miscellaneous	5,711	4,676
Total plant expenses	<u>2,847,001</u>	<u>2,508,257</u>
Wind expenses:		
Supervision and labor	8,101	13,843
Insurance	2,025	6,961
Supplies	3,822	5,552
Maintenance	12,257	10,234
School and travel	595	-
Property lease	5,121	5,045
Total plant expenses	<u>31,921</u>	<u>41,635</u>
Distribution expenses:		
Supervision and labor	224,389	243,281
Payroll taxes	43,432	43,263
Insurance	42,695	39,766
Truck expense	27,405	20,485
Supplies	97,436	110,203
Maintenance, repairs and labor	12,601	13,178
Natural gas purchases	-	-
Internet, cable and phone	-	-
Utilities	462	564
Miscellaneous	8,136	10,429
Total distribution expenses	<u>\$ 456,556</u>	<u>\$ 481,169</u>

See accompanying independent auditor's report.

FUNDS					
GAS		COMMUNICATIONS		TOTAL	
2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ -	\$ -	\$ 128,216	\$ 117,676
-	-	-	-	21,967	21,904
-	-	-	-	12,879	35,833
-	-	-	-	29,500	27,135
-	-	-	-	4,782	18,910
-	-	-	-	2,640,510	2,269,539
-	-	-	-	3,436	12,584
-	-	-	-	5,711	4,676
-	-	-	-	2,847,001	2,508,257
-	-	-	-	8,101	13,843
-	-	-	-	2,025	6,961
-	-	-	-	3,822	5,552
-	-	-	-	12,257	10,234
-	-	-	-	595	-
-	-	-	-	5,121	5,045
-	-	-	-	31,921	41,635
174,792	87,947	214,618	194,720	613,799	525,948
29,919	28,053	37,872	39,940	111,223	111,256
38,149	38,028	45,092	51,842	125,936	129,636
12,212	8,788	10,674	10,045	50,291	39,318
10,380	18,716	34,627	62,083	142,443	191,002
40,123	19,400	55,652	44,977	108,376	77,555
2,422,475	1,598,097	-	-	2,422,475	1,598,097
-	-	798,500	727,518	798,500	727,518
185	370	28,173	26,878	28,820	27,812
14,437	15,688	3,555	4,771	26,128	30,888
\$ 2,742,672	\$ 1,815,087	\$ 1,228,763	\$ 1,162,774	\$ 4,427,991	\$ 3,459,030

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

**COMBINING SCHEDULES OF OPERATING EXPENSES
ENTERPRISE FUNDS**

YEARS ENDED DECEMBER 31:

	<u>ENTERPRISE</u>	
	<u>LIGHT AND POWER</u>	
	<u>2014</u>	<u>2013</u>
Office and administration expenses:		
Office salaries	\$ 148,448	\$ 180,199
Payroll taxes	33,272	27,393
Use tax	2,397	1,614
Property taxes	2,459	2,508
Trustee fees	1,780	1,810
Professional fees	9,344	8,149
Building supplies	-	-
Insurance	158,687	137,787
Global warming assessment	5,449	7,062
Office supplies and postage	27,587	22,928
Janitorial services	5,353	9,703
Office equipment expense	4,564	3,082
Dues	13,472	14,112
Contributions in lieu of taxes	117,268	170,718
Energy efficiency	16,361	18,728
Bad debts	14,369	12,112
Joint lease expense	-	-
Miscellaneous	17,424	13,753
Total office and administration expenses	<u>578,234</u>	<u>631,658</u>
Other expenses:		
Depreciation	1,008,693	991,383
Amortization	124,716	17,026
Total other expenses	<u>1,133,409</u>	<u>1,008,409</u>
 Total operating expenses	 <u>\$ 5,047,121</u>	 <u>\$ 4,671,128</u>

See accompanying independent auditor's report.

FUNDS					
GAS		COMMUNICATIONS		TOTAL	
2014	2013	2014	2013	2014	2013
\$ 143,642	\$ 147,262	\$ 158,492	\$ 142,147	\$ 450,582	\$ 469,608
14,471	27,125	24,774	22,911	72,517	77,429
1,729	2,277	6,545	1,135	10,671	5,026
-	-	5,325	7,937	7,784	10,445
1,780	1,810	1,780	1,810	5,340	5,430
4,740	4,812	4,740	5,219	18,824	18,180
67	-	-	-	67	-
47,410	58,285	54,010	45,082	260,107	241,154
2,506	2,344	-	-	7,955	9,406
26,435	21,152	12,811	8,890	66,833	52,970
5,326	9,771	-	-	10,679	19,474
3,748	2,036	1,937	1,650	10,249	6,768
6,589	6,356	5,347	5,730	25,408	26,198
-	11,667	-	-	117,268	182,385
12,208	11,111	-	-	28,569	29,839
5,603	1,498	37,743	52,184	57,715	65,794
-	-	143,523	143,523	143,523	143,523
11,516	36,343	81,286	55,469	110,226	105,565
287,770	343,849	538,313	493,687	1,404,317	1,469,194
104,724	72,106	24,471	7,949	1,137,888	1,071,438
-	-	-	-	124,716	17,026
104,724	72,106	24,471	7,949	1,262,604	1,088,464
<u>\$ 3,135,166</u>	<u>\$ 2,231,042</u>	<u>\$ 1,791,547</u>	<u>\$ 1,664,410</u>	<u>\$ 9,973,834</u>	<u>\$ 8,566,580</u>



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of the
Osage Municipal Utilities:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Osage Municipal Utilities, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise OMU's basic financial statements, and have issued our report thereon date August 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Osage Municipal Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Osage Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Osage Municipal Utilities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

T.P. Anderson & Company, P.C.

August 18, 2015

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

SCHEDULE OF FINDINGS

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on each major fund.
- (b) No material weaknesses in internal control were noted during the audit of the financial statements.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

SCHEDULE OF FINDINGS

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Material Weaknesses:

No material weaknesses were noted

**OSAGE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF OSAGE**

SCHEDULE OF FINDINGS

Part III: Other Findings Related to Statutory Reporting:

- III-A-14 Certified Budget - Disbursements during the year ended December 31, 2014 were within the budgeted limits.

- III-B-14 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-14 Travel Expense – No disbursements of the Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

- III-D-14 Business Transactions – No business transactions between the Utilities and the Utilities’ officials or employees were noted.

- III-E-14 Bond Coverage – Surety bond coverage of the Utilities’ officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- III-F-14 Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.

- III-G-14 Revenue Bonds – No violations of revenue bond resolution requirements were noted.

- III-H-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities’ investment policy.

- III-I-14 Telecommunication Services – No instance of noncompliance with Chapter 388.10 of the Code of Iowa were noted.